

Pirate Party Australia Inc.

Financial Statements

30 June 2015

Statement of the National Council

In the opinion of the National Council of Pirate Party Australia Incorporated:

- a) the Association is a Tier 2 Association according to the reporting requirements of the NSW Department of Fair Trading and the *Associations Incorporation Act 2009*.
- b) this financial statement is a true and fair view of the association's affairs, and complies with the requirements of the *Associations Incorporation Act 2009 (NSW)*.

This statement is explicitly **not** applicable with regards to the requirements of the Australian Electoral Commission's funding disclosure requirements.

Disclaimer

The current data is not final and many of the breakdown figures are subject to change depending upon the verification of both source data and disclaimer data. The figures given for the opening amount in the accounts are valid and sourced from last year's report, the figures for the total in both ANZ accounts as of June 30 are also valid and sourced from ANZ. Everything in between is subject to verification or refutation during the more detailed audit for the AEC submission.

Income Statement

Pirate Party Australia Inc.

Reporting Period 2014-07-01 to 2015-06-30

Income	2015	2014
Membership & Donations	\$8167.65	\$37,163.67
Fundraisers/Events	\$0.00	\$0.00
Interest	\$149.89	\$23.98
Other income, not yet specified.	TBA	
Total Income	TBA	\$37,187.65
Expenditure		
Bank Fees (includes resident tax)	\$14.00	\$51.40
Credit Card/Merchant Fees	\$169.75 ¹	\$580.6
Event Costs	TBA	\$69.64
Printing & Stationary (not including electoral material)	TBA	\$0.00
Servers/IT	TBA	\$330.16
AEC Senate Candidate Nomination Fees	\$0.00	\$20,000.00
AEC House of Reps Candidate Nomination Fees	\$0.00	\$1,000.00
Electoral Expenditure (not including AEC fees)	\$0.00	\$28,111.20
Other expenditure not explicitly defined	TBA	\$0.00
Total Expenditure	TBA	\$50,143.00
Net Profit	\$-2,542.01	\$-12,955.35

1 PayPal fees only, will change.

Pirate Party Australia Inc.

Balance Sheet

	2015	2014
Assets		
Current Assets		
Cash on hand	\$8,268.50	\$10,810.51
Term Deposits	\$0.00	\$0.00
Prepayments	\$0.00	\$0.00
Non-current Assets		
Equipment	\$0.00	\$0.00
Less Accumulated Depreciation	\$0.00	\$0.00
Total Assets	\$0.00	\$0.00
Liabilities	\$0.00	\$0.00
Total Liabilities	\$0.00	\$0.00
Net Assets	\$8,268.50	\$10,810.51
Equity		
Retained Earnings	\$10,810.51	\$23,765.86
Current Year Earnings	\$-2,542.01	\$-12,955.35
Total Equity	\$8,268.50	\$10,810.51
Total Liabilities and Equity	\$8,268.50	\$10,810.51

Treasurer's Statement

While we did not face the same type of expenses as the previous year, the past financial year did have its fair share of challenges for the Party. The most noticeable, and the subject of considerable public speculation at the time, was the deactivation of the Party PayPal account and seizure of funds held in that account. Due to the nature of the account seizure we had no choice, but to make an immediate public statement, prior to addressing the matter in order to prevent members, donors and potential members or donors from transferring additional funds to that account. Consequently I believe that the members will be seeking a more complete explanation of those events at this year's Pirate Party Congress and so a significant portion of my notes will address this.

It should also be noted, once again, that the figures in this financial statement can only be considered as preliminary figures until a more thorough audit, in line with the AEC guidelines is complete. That audit and confirmed figures will be available to the Party by the 20th October, which is also the deadline for the annual returns to the AEC.

Conflict with PayPal Australia

The Pirate Party Australia PayPal account was frozen sometime during mid to late April. While there had been a warning email from PayPal, the email in question had not been delivered directly to the Treasurer. The reason for this being that the Party's email provider, Google Mail, had determined that the message was a phishing attempt and thus sequestered the messages outside the mail directories accessed via IMAP.² The reason for Google's false positive with regards to the PayPal message stemmed from the message requesting additional information, which is a common component of phishing emails and why other companies do not send such messages. So while the Google action was an error, it was an entirely understandable error to make given the large number of other businesses, particularly financial institutions which have adapted their correspondence to not fall prey to the those more exploitative denizens of the Internet.

At the time of the seizure the Pirate Party PayPal account held between \$400.00 and \$450.00 in payments from members and donors, either for membership applications, party donations or both. The funds originated from around a dozen individuals not directly involved with the running or administration of the Party. The status of the account was discovered by me on the 8th of May when I tried to transfer approximately \$300.00 from the PayPal account to the Party cheque account. The seizure of the account was announced via the Party's Twitter account later that night, after we removed the PayPal links from our donation server and the membership application page.

While there was little concern with regards to the financial position of the Party from the lack of access to such a sum, it was a matter which could be neither ignored nor countenanced. Though the Party could withstand such an action there was an element of the action which was of genuine concern with regards to the democratic rights and responsibilities, not just of those of us in the Pirate Party, but of all citizens in the country. To wit, that a corporate organisation could unilaterally seize the

² The Pirate Party Treasurer follows his own advice regarding email security and utilises a combination of a separate mail client (Thunderbird) and GPG instead of any webmail system, including the Google Mail or Gmail interfaces.

funds of an arbitrary group of people and prevent them from paying or donating that money to the political organisation of their choice. Similar concerns were raised on social media networks at the time, to a greater or lesser extent and some members may have read a few news articles on it at the time.

I contacted PayPal via email, in part due to the lack of reasonably sound alternatives, but primarily in order to be certain that all communication regarding this event would be in writing. I suspected from the outset, and was subsequently proven right, that it would be important to have a verifiable transcript of that communication.

Following contacting PayPal Australia, we were advised that the reason for the seizure was a lack of documentation on their part regarding the identity of the account holder. Clarification of this revealed that in order to unfreeze the account, PayPal required identity verification documents of the account holder and an additional statement regarding what, if any, political connection the account holder possessed. They then specifically requested the identification documents for Rodney Serkowski; the Pirate Party Australia founder, past President and past Treasurer. I responded that the account belonged to a political party, that Rodney was no longer a member of the National Council,³ then requested what documentation they needed from an existing member of the National Council and which members of the National Council did they require this from. I specifically referred to myself, as Treasurer and to the President.

Unfortunately that did not meet PayPal's requirements; PayPal Australia insisted on receiving documentation regarding Rodney and refused to consider the possibility that it was neither appropriate nor feasible. The nature of the Party, the democratic governance of it as determined by our members and related matters were explained to PayPal Australia and their representatives in multiple ways and multiple times. Whether this was ignored, not understood or mismanaged is unknown. All we do know is that the account remained frozen and every second response from PayPal was in the form of insistence that we comply with their demand in order to regain control the account.

I did make a point of explaining that the funds seized by PayPal were political donations and that we had certain obligations regarding that. The response was an attempt to claim that the PayPal demand was an aspect of international anti-money laundering (AML) regulations. Once again we explained that we already complied with that with our bank, ANZ, and furthermore there was no aspect of either AML regulations or Know Your Customer (KYC) policies which required an organisation be permanently and solely financially represented by whoever opened the account.

In spite of this and in spite of the clear technical reality that PayPal's systems are simply incapable of being updated, they continued with their chosen line of response. We had been far more generous and patient than we should have been, so when they insisted that we make a certification that Rodney was our financial representative, I concluded, with the unanimous agreement of the National Council that a report to the Australian Electoral Commission's Funding and Disclosure division was necessary.

By this stage I had determined that PayPal, both through their initial seizure of the account and their subsequent written demands were in breach of multiple sections of both the *Commonwealth Electoral Act 1918* and the *Commonwealth Crimes Act 1914*. Specifically the following:

- Thirteen (13) counts of breaching section 327(1) of the *Commonwealth Electoral Act* by interfering with the right of those transferring funds to the Party to political participation.

³ No comments were made regarding Rodney's status as a member, level of activity or immediate ability to be contacted as that was irrelevant.

- Additional counts of breaching the same section with regards to denying the right of the current National Council to represent the Party. It is not known how many actual breaches this would be, but may have been only one or may have been a breach for each member of the Council.
- At least one (1) count of breaching section 28 of the *Commonwealth Crimes Act*, depending on how the holding of funds might be construed as an attempt to intimidate the closer we came to the end of the financial year.
- At least one (1) count of attempting to make members of the National Council breach section 87 of the *Commonwealth Crimes Act* by making a false certification in order to comply with PayPal Australia's internal policies; contrary to the legislation, regulations and responsibilities required of us as representatives of the Party.

The second and third of those points were not raised directly as such a determination was deemed to be within the purview of either the Australian Electoral Commission, the Australian Federal Police or whichever of the High Court or Federal Court might deal with such matters. The first and fourth points were raised directly in a report sent to the Australian Electoral Commission on the 18th of May, this year. The fourth point was also raised in my reply to PayPal's representative who was personally at fault in making that demand. I explicitly stated that PayPal's requirements were illegal in demanding the National Council break Commonwealth legislation to meet PayPal's business policies. I went on to explain that such a false certification carried a penalty of up to two (2) years in prison and that neither I nor any other member of the National Council would do any such thing. I then reiterated our position that we expected PayPal would cease pursuing that course of action and release the funds.

We received no further communication from them, but the account was unfrozen and the funds released later that week. As soon as the funds were accessible and the account lock removed, I drained the entire amount to our ANZ bank account. The ANZ account received \$447.59 on the 25th of May, 2015.

It is unclear whether the PayPal actions in releasing those funds were in response to my email with our refusal to break the law because they wanted it; or whether the report to the Electoral Commission had triggered a Federal investigation. It could have been either and it might have been both. We are unlikely to ever know the answer to that for certain as the Electoral Commission never replies directly to a complainant, but may sometimes make a public statement regarding an investigation on their website when that investigation is concluded. As of the time of the 2015 Pirate Party Australia Congress (July, 2015) there has not been any public statement from the AEC regarding PayPal Australia.

Report Delay and Apology

The delivery of this report has, unfortunately been delayed due to factors beyond Pirate Party Australia Treasury's control. The delay was caused by a combination of mismatches in reporting systems as part of the ongoing work⁴ to improve the financial reporting methods in addition to a recent, catastrophic hardware and software failure with the Treasurer's systems.⁵

While the latter is a personal system being used to produce the final report and not the Party's concern, the former may require a closer examination in the months ahead. Nevertheless, I do apologise for the inconvenient timing of these errors in furnishing the National Council and the Party Congress with this report.

Final Comments

While the Party is clearly still recovering financially from contesting the 2013 Federal Election and the subsequent Griffith By-Election and WA Special Senate Election in 2014; the Party is still in a good financial position. If, however, the membership decides to proceed with any proposal to add paid positions to address the growing administrative tasks associated with maintaining the Party, then additional revenue streams will become a priority in order to fulfil those obligations.

It will certainly be necessary to implement the membership renewal system at the very least, especially if a fortnightly or monthly payroll must be implemented. Furthermore, while there were very definitely problems with both Bendigo Bank and PayPal Australia, most notably with PayPal Australia; with the systems limited the way they were it was very easy to clearly track the source of Party funds and expenditure of them. With the acquisition of more payment systems, in many cases performing much the same thing, the distribution of accounting data has become a little incoherent. The purpose of Xero adoption is to alleviate this by concentrating that data in one location, which it does achieve. It does, however, clearly have a strong business focus and unless it is also able to provide copies of the raw data it utilises in that one location, it will be extremely difficult as we move ahead to properly fulfil our electoral registration requirements, the reporting requirements differ from the requirements of most other financial bodies, particularly those solely concerned with business. Addressing this will be a priority for the Party Treasury in the immediate term.

⁴ This includes what appears to be discrepancies in the Xero system.

⁵ Recursion of kernel panics and subsequent package manager failure brought on by external factors.